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ANNUAL STATEMENT

For the Year Ended December 31, 2008

of the Condition and Affairs of the

BLUE CROSS BLUE SHIELD OF MICHIGAN

NAIC Group Code.....572, 572 (Current Period) (Prior Period) | NAIC Company Code..... 54291 | Employer's ID Number..... 38-2069753

Organized under the Laws of Michigan | State of Domicile or Port of Entry Michigan | Country of Domicile US

Incorporated/Organized..... February 1, 1975 | Commenced Business..... January 1, 1975

Statutory Home Office	600 Lafayette East….. Detroit ..... MI ..... 48226 *(Street and Number) (City or Town, State and Zip Code)*	
Main Administrative Office	600 Lafayette East….. Detroit ..... MI ..... 48226 *(Street and Number) (City or Town, State and Zip Code)*	313-225-9000 *(Area Code) (Telephone Number)*
Mail Address	600 Lafayette East….. Detroit ..... MI ..... 48226 *(Street and Number or P. O. Box) (City or Town, State and Zip Code)*	
Primary Location of Books and Records	600 Lafayette East….. Detroit ..... MI ..... 48226 *(Street and Number) (City or Town, State and Zip Code)*	313-225-9000 *(Area Code) (Telephone Number)*
Internet Website Address	http://bcbsm.com/	
Statutory Statement Contact	Kenneth A. Bluhm *(Name)*	313-225-9095 *(Area Code) (Telephone Number) (Extension)*
	kbluhm@bcbsm.com *(E-Mail Address)*	313-983-2358 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. DANIEL J. LOEPP	President and CEO	2. MARK R. BARTLETT	Executive Vice President and CFO
3. CAROLYNN WALTON	Vice President and Treasurer	4. TRICIA A. KEITH	VP & Corporate Secretary

OTHER

LISA S. DEMOSS	SVP, General Counsel	ELIZABETH R. HARR	Senior Vice President
ROBERT MILEWSKI	Senior Vice President	KEVIN L. SEITZ	Executive Vice President
JOSEPH H HOHNER	SVP and Chief Information Officer	THOMAS L. SIMMER	Chief Medical Officer
JEANNE H. CARLSON	Senior Vice President	KENNETH R. DALLAFIOR	Senior Vice President
DARRELL E. MIDDLETON	Senior Vice President		

DIRECTORS OR TRUSTEES

JAMES G. AGEE	JON E. BARFIELD	WILLIAM H. BLACK	JOHN E. BODELL D.O.
ARLENE R. BRENNAN RN	TERRY BURNS	BRIAN M. CONNOLLY	PATRICK J. DEVLIN
MARK T. GAFFNEY	CHARLES M. GAYNEY	THOMAS J. HADRYCH	JOHN M. HAMILTON
TEOLA P. HUNTER	WALLACE D. RILEY	SPENCER C. JOHNSON	GARY H. TORGOW #
MELVIN L. LARSEN	DANIEL J. LOEPP	F. REMINGTON SPRAGUE MD	GARY J. MCINERNEY
LIVIO MEZZA	PETER T. MULLER MD	ROBERT A. PATZER	RENEE C. AXT
CALVIN T. RAPSON	JAMES W. RICHARDS RPH	IRIS K. SALTERS	JAMES U. SETTLES
RICHARD SHOEMAKER	DONALD E. STROUD DDS	GREGORY A. SUDDERTH	S. MARTIN. TAYLOR
EMERY I. KLEIN	JANICE K. UHLIG	JOHN VANDER MOLEN	

State of.. MICHIGAN......
County of...WAYNE

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy of the enclosed statement (except for formatting differences due to electronic filing). The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
DANIEL J. LOEPP	MARK R. BARTLETT	CAROLYNN WALTON
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President and CEO	Executive Vice President and CFO	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This ________ day of ____________________

a. Is this an original filing? Yes [X] No [ ]
b. If no
1. State the amendment number ________
2. Date filed ________
3. Number of pages attached ________

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	2,815,944,685		2,815,944,685	2,729,172,097
2. Stocks (Schedule D):				
2.1 Preferred stocks	3,605,386		3,605,386	4,813,615
2.2 Common stocks	1,417,212,153		1,417,212,153	1,626,350,401
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	
3.2 Other than first liens			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $..........0 encumbrances)	186,878,806		186,878,806	193,473,210
4.2 Properties held for the production of income (less $..........0 encumbrances)			0	
4.3 Properties held for sale (less $..........0 encumbrances)			0	
5. Cash ($.....(242,992,784), Sch. E-Part 1), cash equivalents ($..........0, Sch. E-Part 2) and short-term investments ($.....93,399,489, Sch. DA)	(149,593,295)		(149,593,295)	73,908,463
6. Contract loans (including $..........0 premium notes)			0	
7. Other invested assets (Schedule BA)	74,484,378		74,484,378	57,530,494
8. Receivables for securities	650,655		650,655	55,257,611
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	4,349,182,768	0	4,349,182,768	4,740,505,891
11. Title plants less $..........0 charged off (for Title insurers only)			0	
12. Investment income due and accrued	32,727,620		32,727,620	30,194,094
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection	54,386,589	64,676	54,321,913	25,975,392
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $..........0 earned but unbilled premiums)			0	
13.3 Accrued retrospective premiums			0	1,075,672
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	
14.2 Funds held by or deposited with reinsured companies			0	
14.3 Other amounts receivable under reinsurance contracts			0	
15. Amounts receivable relating to uninsured plans	255,455,994	13,534,222	241,921,772	246,597,000
16.1 Current federal and foreign income tax recoverable and interest thereon	5,891,429		5,891,429	21,286,630
16.2 Net deferred tax asset	198,979,207	118,175,622	80,803,585	63,051,092
17. Guaranty funds receivable or on deposit			0	
18. Electronic data processing equipment and software	158,569,252	111,368,520	47,200,732	37,672,037
19. Furniture and equipment, including health care delivery assets ($..........0)	22,087,597	22,087,597	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	
21. Receivables from parent, subsidiaries and affiliates	24,481,761		24,481,761	23,192,305
22. Health care ($.....116,489,556) and other amounts receivable	128,218,898	4,139,738	124,079,160	115,396,861
23. Aggregate write-ins for other than invested assets	369,698,696	202,764,081	166,934,615	113,205,312
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	5,599,679,811	472,134,456	5,127,545,355	5,418,152,286
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	
26. TOTALS (Lines 24 and 25)	5,599,679,811	472,134,456	5,127,545,355	5,418,152,286

DETAILS OF WRITE-INS

	1	2	3	4
0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Miscellaneous Accounts Receivable	5,408,730	5,408,730	0	
2302. Prepaid and Other Assets	9,712,304	9,712,304	0	
2303. Advances to Providers	257,195,409	90,260,794	166,934,615	113,205,312
2398. Summary of remaining write-ins for Line 23 from overflow page	97,382,253	97,382,253	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	369,698,696	202,764,081	166,934,615	113,205,312

LIABILITIES, CAPITAL AND SURPLUS

	Current Period 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
1. Claims unpaid (less $..........0 reinsurance ceded)	627,124,687		627,124,687	651,018,500
2. Accrued medical incentive pool and bonus amounts	23,413,626		23,413,626	18,311,778
3. Unpaid claims adjustment expenses	70,858,528		70,858,528	77,503,817
4. Aggregate health policy reserves	972,936,420		972,936,420	952,592,382
5. Aggregate life policy reserves			0	
6. Property/casualty unearned premium reserve			0	
7. Aggregate health claim reserves			0	
8. Premiums received in advance			0	
9. General expenses due or accrued	120,027,285		120,027,285	156,219,520
10.1 Current federal and foreign income tax payable and interest thereon (including $..........0 on realized capital gains (losses))			0	
10.2 Net deferred tax liability			0	
11. Ceded reinsurance premiums payable			0	
12. Amounts withheld or retained for the account of others	10,722,794		10,722,794	15,244,978
13. Remittances and items not allocated	6,698,023		6,698,023	4,400,728
14. Borrowed money (including $..........0 current) and interest thereon $.....420,977 (including $..........0 current)	313,420,977		313,420,977	196,392,554
15. Amounts due to parent, subsidiaries and affiliates	51,122,402		51,122,402	7,975,085
16. Payable for securities	577,184		577,184	101,068,155
17. Funds held under reinsurance treaties with ($..........0 authorized reinsurers and $..........0 unauthorized reinsurers)			0	
18. Reinsurance in unauthorized companies			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	
20. Liability for amounts held under uninsured plans	187,168,880		187,168,880	199,989,220
21. Aggregate write-ins for other liabilities (including $..........0 current)	516,068,036	0	516,068,036	631,346,491
22. Total liabilities (Lines 1 to 21)	2,900,138,842	0	2,900,138,842	3,012,063,208
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		
25. Preferred capital stock	XXX	XXX		
26. Gross paid in and contributed surplus	XXX	XXX		
27. Surplus notes	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	2,227,406,513	2,406,089,078
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 $..........0)	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 $..........0)	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	2,227,406,513	2,406,089,078
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	5,127,545,355	5,418,152,286

DETAILS OF WRITE-INS

	1 Covered	2 Uncovered	3 Total	4 Total
2101. Postretirement Liabilities	392,195,296		392,195,296	361,551,922
2102. Liability for Uncashed Checks	10,912,275		10,912,275	11,743,897
2103. Advances to Providers	74,259,904		74,259,904	134,496,222
2198. Summary of remaining write-ins for Line 21 from overflow page	38,700,561	0	38,700,561	123,554,450
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	516,068,036	0	516,068,036	631,346,491
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member months	XXX	20,913,922	30,992,553
2. Net premium income (including $..........0 non-health premium income)	XXX	6,835,648,248	6,184,769,645
3. Change in unearned premium reserves and reserve for rate credits	XXX	(29,608,038)	(15,590,052)
4. Fee-for-service (net of $..........0 medical expenses)	XXX		
5. Risk revenue	XXX		
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	6,806,040,210	6,169,179,593
Hospital and Medical:			
9. Hospital/medical benefits		4,996,361,297	4,617,302,681
10. Other professional services		90,332,452	77,640,078
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		972,615,696	955,481,679
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts		49,810,223	34,962,814
16. Subtotal (Lines 9 to 15)	0	6,109,119,668	5,685,387,252
Less:			
17. Net reinsurance recoveries		1,256,673	
18. Total hospital and medical (Lines 16 minus 17)	0	6,107,862,995	5,685,387,252
19. Non-health claims (net)			
20. Claims adjustment expenses, including $.....95,795,636 cost containment expenses		245,471,136	214,473,405
21. General administrative expenses		482,568,788	476,968,610
22. Increase in reserves for life and accident and health contracts including $..........0 increase in reserves for life only)		(9,264,000)	111,277,000
23. Total underwriting deductions (Lines 18 through 22)	0	6,826,638,919	6,488,106,267
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(20,598,709)	(318,926,674)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		204,760,769	204,490,509
26. Net realized capital gains or (losses) less capital gains tax of $..........0		(142,041,377)	19,597,465
27. Net investment gains or (losses) (Lines 25 plus 26)	0	62,719,392	224,087,974
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $..........0) (amount charged off $..........0)]			
29. Aggregate write-ins for other income or expenses	0	(14,421,621)	70,167,452
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	27,699,062	(24,671,248)
31. Federal and foreign income taxes incurred	XXX	23,574,143	(40,855,673)
32. Net income (loss) (Lines 30 minus 31)	XXX	4,124,919	16,184,425

DETAILS OF WRITE-INS

0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	0	0	0
2901. Miscellaneous Income		(14,421,621)	70,167,452
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)	0	(14,421,621)	70,167,452

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period	2,406,089,078	2,501,444,184
34. Net income or (loss) from Line 32	4,124,919	16,184,425
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains and (losses) less capital gains tax of $.........0	(142,265,207)	(202,363,796)
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	24,516,592	28,742,976
39. Change in nonadmitted assets	(65,058,869)	62,081,289
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital and surplus (Lines 34 to 47)	(178,682,565)	(95,355,106)
49. Capital and surplus end of reporting period (Line 33 plus 48)	2,227,406,513	2,406,089,078

DETAILS OF WRITE-INS

4701. Additional Pension Liability		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	6,808,904,325	6,190,482,424
2. Net investment income	166,613,739	223,792,024
3. Miscellaneous income	(17,372,470)	160,355,769
4. Total (Lines 1 through 3)	6,958,145,594	6,574,630,217
5. Benefit and loss related payments	6,355,588,523	5,568,187,854
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	663,831,666	736,029,558
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $..........0 tax on capital gains (losses)	11,587,260	26,026,783
10. Total (Lines 5 through 9)	7,031,007,449	6,330,244,195
11. Net cash from operations (Line 4 minus Line 10)	(72,861,855)	244,386,022
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,715,210,524	4,361,497,112
12.2 Stocks	254,655,528	446,401,652
12.3 Mortgage loans		
12.4 Real estate	2,474,235	
12.5 Other invested assets	7,798,439	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		3,994,067
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,980,138,726	4,811,892,831
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,873,185,262	4,359,572,663
13.2 Stocks	295,247,369	564,459,088
13.3 Mortgage loans		
13.4 Real estate	9,545,640	18,128,065
13.5 Other invested assets	22,106,642	19,010,110
13.6 Miscellaneous applications	45,884,015	
13.7 Total investments acquired (Lines 13.1 to 13.6)	3,245,968,928	4,961,169,926
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	(265,830,202)	(149,277,095)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	175,458,871	150,274,408
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(60,268,571)	(75,980,591)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	115,190,300	74,293,817
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(223,501,757)	169,402,744
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	73,908,463	(95,494,281)
19.2 End of year (Line 18 plus Line 19.1)	(149,593,294)	73,908,463

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		

ANALYSIS OF OPERATION BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	6,835,648,247	4,971,677,767	240,339,671	83,273,776	17,324,378	334,356,684	945,150,948		243,525,023	
2. Change in unearned premium reserves and reserve for rate credit	(29,608,038)	(40,760,481)	15,196,687	(494,897)	160,217	(3,667,267)	(3,335,989)		3,293,692	
3. Fee-for-service (net of $ 0 medical expenses)	0									XXX
4. Risk revenue	0									XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	6,806,040,209	4,930,917,286	255,536,358	82,778,879	17,484,595	330,689,417	941,814,959	0	246,818,715	0
8. Hospital/medical benefits	4,996,361,298	3,432,363,185	399,736,681	-	-	222,412,069	784,186,030		157,663,333	XXX
9. Other professional services	90,332,452	4,433,322		70,258,488	13,425,515	2,215,127	-			XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	0									XXX
12. Prescription drugs	972,615,696	748,997,803				81,154,566	89,766,209		52,697,118	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	49,810,223	49,810,223								XXX
15. Subtotal (Lines 8 to 14)	6,109,119,669	4,235,604,533	399,736,681	70,258,488	13,425,515	305,781,762	873,952,239	0	210,360,451	XXX
16. Net reinsurance recoveries	1,256,673	1,256,673								XXX
17. Total hospital and medical (Lines 15 minus 16)	6,107,862,996	4,234,347,860	399,736,681	70,258,488	13,425,515	305,781,762	873,952,239	0	210,360,451	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including $ 0 cost containment expenses	245,471,134	184,108,456	12,411,514	3,090,762	652,832	7,597,447	26,261,948		11,348,175	
20. General administrative expenses	482,568,788	361,936,627	24,399,648	6,076,092	1,283,395	14,935,731	51,628,052		22,309,243	
21. Increase in reserves for accident and health contracts	(9,264,000)	71,203,061	(82,762,000)	2,290,744	4,195	-				XXX
22. Increase in reserve for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	6,826,638,918	4,851,596,004	353,785,843	81,716,086	15,365,937	328,314,940	951,842,239	0	244,017,869	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(20,598,709)	79,321,282	(98,249,485)	1,062,793	2,118,658	2,374,477	(10,027,280)	0	2,800,846	0

DETAILS OF WRITE-INS

	1	2	3	4	5	6	7	8	9	10
0501.	0									XXX
0502.	0									XXX
0503.	0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Total (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	XXX
0601.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Total (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.	0									XXX
1302.	0									XXX
1303.	0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Total (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	4,973,224,731		1,546,965	4,971,677,766
2. Medicare supplement	240,339,671			240,339,671
3. Dental only	83,273,776			83,273,776
4. Vision only	17,324,378			17,324,378
5. Federal employees health benefits plan	334,356,684			334,356,684
6. Title XVIII - Medicare	945,150,948			945,150,948
7. Title XIX - Medicaid				0
8. Other health	243,525,024			243,525,024
9. Health subtotal (Lines 1 through 8)	6,837,195,212	0	1,546,965	6,835,648,247
10. Life				0
11. Property/casualty				0
12. Totals (Lines 9 to 11)	6,837,195,212	0	1,546,965	6,835,648,247

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	6,083,203,258	4,215,862,317	394,403,554	70,662,528	13,381,479	303,308,829	852,633,458		232,951,093	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	1,256,673	1,256,673								
1.4 Net	6,081,946,585	4,214,605,644	394,403,554	70,662,528	13,381,479	303,308,829	852,633,458	0	232,951,093	0
2. Paid medical incentive pools and bonuses	44,708,375	44,708,375								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	627,124,687	365,980,538	65,019,235	3,165,788	774,168	36,922,686	134,080,854		21,181,418	
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	627,124,687	365,980,538	65,019,235	3,165,788	774,168	36,922,686	134,080,854	0	21,181,418	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	23,413,626	23,413,626								
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	651,018,500	396,048,545	59,686,108	3,569,829	730,133	34,449,753	112,762,072		43,772,060	
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	651,018,500	396,048,545	59,686,108	3,569,829	730,133	34,449,753	112,762,072	0	43,772,060	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	18,311,778	18,311,778								
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	6,059,309,445	4,185,794,310	399,736,681	70,258,487	13,425,514	305,781,762	873,952,240	0	210,360,451	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	1,256,673	1,256,673	0	0	0	0	0	0	0	0
12.4 Net	6,058,052,772	4,184,537,637	399,736,681	70,258,487	13,425,514	305,781,762	873,952,240	0	210,360,451	0
13. Incurred medical incentive pools and bonuses	49,810,223	49,810,223	0	0	0	0	0	0	0	0

(a) Excludes $..........0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct	35,996,335	6,218,970	1,098,164	102,681	80	623,618	27,137,186		815,636	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	35,996,335	6,218,970	1,098,164	102,681	80	623,618	27,137,186	0	815,636	0
2. Incurred but unreported:										
2.1 Direct	591,128,353	359,761,568	63,921,071	3,063,107	774,089	36,299,068	106,943,668		20,365,782	
2.2 Reinsurance assumed	0									
2.3 Reinsurance ceded	0									
2.4 Net	591,128,353	359,761,568	63,921,071	3,063,107	774,089	36,299,068	106,943,668	0	20,365,782	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct	0									
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct	627,124,688	365,980,538	65,019,235	3,165,788	774,169	36,922,686	134,080,854	0	21,181,418	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	627,124,688	365,980,538	65,019,235	3,165,788	774,169	36,922,686	134,080,854	0	21,181,418	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
Line of Business	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	325,634,128	3,961,756,167	27,934,976	338,045,562	353,569,104	396,048,845
2. Medicare supplement	55,463,772	338,939,782	1,222,753	63,796,482	56,686,525	59,686,108
3. Dental only	3,162,667	67,499,861	40,689	3,125,099	3,203,356	3,569,829
4. Vision only	662,752	12,718,727	1,021	773,147	663,773	730,133
5. Federal employees health benefits plan	30,971,306	272,337,523	2,014,142	34,908,544	32,985,448	34,449,753
6. Title XVIII - Medicare	76,041,722	776,591,736	2,471,831	131,609,023	78,513,553	112,762,072
7. Title XIX - Medicaid					0	
8. Other health	18,351,912	214,599,181	1,082,888	20,098,530	19,434,800	43,772,060
9. Health subtotal (Lines 1 to 8)	510,288,259	5,644,442,977	34,768,300	592,356,387	545,056,559	651,018,800
10. Healthcare receivables (a)		72,784,652			0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	8,776,927	35,931,448	218,421	23,195,205	8,995,348	18,311,778
13. Totals (Lines 9 - 10 + 11 + 12)	519,065,186	5,607,589,773	34,986,721	615,551,592	554,051,907	669,330,578

(a) Excludes $..........0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	456,671	1,773	226	(181)	
2. 2004	4,293,367	431,206	1,448	341	488
3. 2005	XXX	4,350,506	438,737	2,723	974
4. 2006	XXX	XXX	4,700,487	523,351	1,226
5. 2007	XXX	XXX	XXX	5,102,894	516,415
6. 2008	XXX	XXX	XXX	XXX	5,607,554

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	482,601	8,857	101	(168)	
2. 2004	4,852,568	481,421	17,403	397	448
3. 2005	XXX	4,273,747	443,121	23,648	1,083
4. 2006	XXX	XXX	4,744,598	484,329	27,178
5. 2007	XXX	XXX	XXX	5,177,181	473,068
6. 2008	XXX	XXX	XXX	XXX	5,606,089

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	5,518,401	4,726,850	44,517	0.9	4,771,367	86.5			4,771,367	86.5
2. 2005	5,523,155	4,792,940	45,135	0.9	4,838,075	87.6	1,388	152	4,839,615	87.6
3. 2006	5,805,420	5,225,064	49,205	0.9	5,274,269	90.9	14,385	1,566	5,290,220	91.1
4. 2007	6,169,179	5,619,279	52,918	0.9	5,672,197	91.9	18,995	2,068	5,693,260	92.3
5. 2008	6,806,040	5,680,369	53,493	0.9	5,733,862	84.2	615,770	67,070	6,416,702	94.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	375,453	(96)	(83)	(121)	
2. 2004	3,696,773	359,904	(15)	169	423
3. 2005	XXX	3,688,185	359,904	1,287	734
4. 2006	XXX	XXX	3,750,008	371,750	(2,075)
5. 2007	XXX	XXX	XXX	3,832,620	335,330
6. 2008	XXX	XXX	XXX	XXX	3,924,903

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	391,178	6,575	(225)	(109)	
2. 2004	4,142,178	403,393	(247)	167	383
3. 2005	XXX	3,625,719	361,007	1,443	784
4. 2006	XXX	XXX	3,742,790	335,692	(681)
5. 2007	XXX	XXX	XXX	3,857,460	304,939
6. 2008	XXX	XXX	XXX	XXX	3,928,923

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	4,880,275	4,057,254	38,207	0.9	4,095,461	83.9			4,095,461	83.9
2. 2005	4,845,912	4,050,110	38,140	0.9	4,088,250	84.4	1,367	149	4,089,766	84.4
3. 2006	4,789,834	4,119,683	38,795	0.9	4,158,478	86.8	13,735	1,496	4,173,709	87.1
4. 2007	4,791,046	4,167,950	39,250	0.9	4,207,200	87.8	12,833	1,398	4,221,431	88.1
5. 2008	4,930,917	3,997,688	37,646	0.9	4,035,334	81.8	361,459	39,371	4,436,164	90.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	44,722	951	131	(31)	
2. 2004	285,068	44,131	816	(73)	30
3. 2005	XXX	310,622	49,224	305	61
4. 2006	XXX	XXX	323,387	53,293	689
5. 2007	XXX	XXX	XXX	330,193	54,683
6. 2008	XXX	XXX	XXX	XXX	338,940

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	46,525	1,014	118	(27)	
2. 2004	342,284	41,991	799	(62)	27
3. 2005	XXX	310,716	44,321	283	61
4. 2006	XXX	XXX	333,402	46,989	704
5. 2007	XXX	XXX	XXX	334,072	49,478
6. 2008	XXX	XXX	XXX	XXX	349,467

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	214,973	329,972	3,107	0.9	333,079	154.9			333,079	154.9
2. 2005	223,683	360,212	3,392	0.9	363,604	162.6	7	1	363,612	162.6
3. 2006	221,430	377,369	3,554	0.9	380,923	172.0	104	11	381,038	172.1
4. 2007	224,714	384,876	3,624	0.9	388,500	172.9	1,111	121	389,732	173.4
5. 2008	255,536	338,940	3,192	0.9	342,132	133.9	63,796	6,949	412,877	161.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	4,930	42	3		
2. 2004	66,512	3,636	70	1	1
3. 2005	XXX	62,409	3,331	45	1
4. 2006	XXX	XXX	63,714	3,086	55
5. 2007	XXX	XXX	XXX	59,408	3,107
6. 2008	XXX	XXX	XXX	XXX	67,500

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	5,088	44	3		
2. 2004	70,340	3,761	71	1	1
3. 2005	XXX	61,417	3,432	43	1
4. 2006	XXX	XXX	63,866	2,952	56
5. 2007	XXX	XXX	XXX	59,738	3,244
6. 2008	XXX	XXX	XXX	XXX	66,957

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	86,229	70,220	661	0.9	70,881	82.2			70,881	82.2
2. 2005	81,150	65,786	620	0.9	66,406	81.8			66,406	81.8
3. 2006	78,449	66,855	630	0.9	67,485	86.0			67,485	86.0
4. 2007	73,954	62,515	589	0.9	63,104	85.3	41	4	63,149	85.4
5. 2008	82,779	67,500	636	0.9	68,136	82.3	3,125	340	71,601	86.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,191	6	1		
2. 2004	11,798	834	4	1	
3. 2005	XXX	11,054	753	3	
4. 2006	XXX	XXX	11,573	698	2
5. 2007	XXX	XXX	XXX	10,194	660
6. 2008	XXX	XXX	XXX	XXX	12,719

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	1,025	8			
2. 2004	12,747	684	13		
3. 2005	XXX	11,168	625	8	
4. 2006	XXX	XXX	11,627	515	11
5. 2007	XXX	XXX	XXX	10,421	620
6. 2008	XXX	XXX	XXX	XXX	12,795

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	16,403	12,637	119	0.9	12,756	77.8			12,756	77.8
2. 2005	16,032	11,810	111	0.9	11,921	74.4			11,921	74.4
3. 2006	15,403	12,273	116	0.9	12,389	80.4			12,389	80.4
4. 2007	13,844	10,854	103	0.9	10,957	79.1	1		10,958	79.2
5. 2008	17,485	12,719	120	0.9	12,839	73.4	773	84	13,696	78.3

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	30,375	870	174	(29)	
2. 2004	169,482	22,168	573	243	34
3. 2005	XXX	197,272	24,982	547	178
4. 2006	XXX	XXX	220,777	25,189	626
5. 2007	XXX	XXX	XXX	257,922	30,134
6. 2008	XXX	XXX	XXX	XXX	272,338

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	34,046	1,216	205	(32)	
2. 2004	202,777	28,174	16,767	291	37
3. 2005	XXX	182,136	28,629	21,380	206
4. 2006	XXX	XXX	203,057	28,882	25,189
5. 2007	XXX	XXX	XXX	237,466	34,398
6. 2008	XXX	XXX	XXX	XXX	245,952

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	220,761	192,500	1,818	0.9	194,318	88.0			194,318	88.0
2. 2005	227,348	222,979	2,100	0.9	225,079	99.0	14	2	225,095	99.0
3. 2006	270,742	246,592	2,322	0.9	248,914	91.9	188	20	249,122	92.0
4. 2007	314,059	288,056	2,713	0.9	290,769	92.6	1,812	197	292,778	93.2
5. 2008	330,689	272,338	2,565	0.9	274,903	83.1	34,909	3,802	313,614	94.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX	246		536	
4. 2006	XXX	XXX	168,721	44,436	1,929
5. 2007	XXX	XXX	XXX	435,359	74,119
6. 2008	XXX	XXX	XXX	XXX	776,585

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX	6,262		491	31
4. 2006	XXX	XXX	220,336	41,128	1,899
5. 2007	XXX	XXX	XXX	493,845	60,954
6. 2008	XXX	XXX	XXX	XXX	811,069

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004				0.0	0	0.0			0	0.0
2. 2005	6,870	782	7	0.9	789	11.5			789	11.5
3. 2006	227,684	215,086	2,025	0.9	217,111	95.4	358	39	217,508	95.5
4. 2007	532,024	509,478	4,798	0.9	514,276	96.7	2,114	230	516,620	97.1
5. 2008	941,815	776,585	7,313	0.9	783,898	83.2	131,609	14,335	929,842	98.7

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

NONE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004					
3. 2005	XXX				
4. 2006	XXX	XXX			
5. 2007	XXX	XXX	XXX		
6. 2008	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

NONE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004				0.0	0	0.0			0	0.0
2. 2005				0.0	0	0.0			0	0.0
3. 2006				0.0	0	0.0			0	0.0
4. 2007				0.0	0	0.0			0	0.0
5. 2008				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior					
2. 2004	63,734	533			
3. 2005	XXX	80,718	543		
4. 2006	XXX	XXX	162,307	24,899	
5. 2007	XXX	XXX	XXX	177,198	18,382
6. 2008	XXX	XXX	XXX	XXX	214,569

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior	4,739				
2. 2004	82,242	3,418			
3. 2005	XXX	76,329	5,107		
4. 2006	XXX	XXX	169,520	28,171	
5. 2007	XXX	XXX	XXX	184,179	19,435
6. 2008	XXX	XXX	XXX	XXX	190,926

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2004	99,760	64,267	605	0.9	64,872	65.0			64,872	65.0
2. 2005	122,160	81,261	765	0.9	82,026	67.1			82,026	67.1
3. 2006	201,878	187,206	1,763	0.9	188,969	93.6			188,969	93.6
4. 2007	219,538	195,550	1,841	0.9	197,391	89.9	1,083	118	198,592	90.5
5. 2008	246,819	214,599	2,021	0.9	216,620	87.8	20,099	2,189	238,908	96.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
POLICY RESERVE									
1. Unearned premium reserves	233,514,010	207,038,190	16,151,263	3,148,690	600,335	217,903	6,553,335	-	(195,706)
2. Additional policy reserves (a)	347,436,000	217,293,000	126,538,000	3,376,000	229,000	-	-	-	-
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $..........0) for investment income	391,986,410	369,221,705		2,606,370	309,814	8,381,960	11,764,548		(297,987)
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	972,936,420	793,552,895	142,689,263	9,131,060	1,139,149	8,599,863	18,317,883	0	(493,693)
7. Reinsurance ceded	0								
8. Totals (net) (Page 3, Line 4)	972,936,420	793,552,895	142,689,263	9,131,060	1,139,149	8,599,863	18,317,883	0	(493,693)
CLAIM RESERVE									
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $.....347,436,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	Claim Adjustment Expenses 2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($.....43,346,436 for occupancy of own building)	5,617,099	11,135,174	31,072,189	67,303	47,891,765
2. Salaries, wages and other benefits	89,797,064	180,523,116	343,652,690	615,007	614,587,877
3. Commissions (less $..........0 ceded plus $..........0 assumed)			224,158,361		224,158,361
4. Legal fees and expenses			2,392,526		2,392,526
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services	20,937,201	3,043,211	70,237,560		94,217,972
7. Traveling expenses	1,459,347	922,757	15,486,416	5,633	17,874,153
8. Marketing and advertising	2,847	32,414	11,258,074		11,293,335
9. Postage, express and telephone	1,892,515	11,366,604	11,863,086	1,119	25,123,324
10. Printing and office supplies	1,140,222	1,522,961	4,493,786	37,331	7,194,300
11. Occupancy, depreciation and amortization	1,427,175	2,871,961	6,973,247	17,359	11,289,742
12. Equipment					0
13. Cost or depreciation of EDP equipment and software	4,512,706	6,534,669	69,441,178	35,893	80,524,446
14. Outsourced services including EDP, claims, and other services	70,339,318	82,626,770	107,558,847	87,739	260,612,674
15. Boards, bureaus and association fees	402,398	12,329	8,929,036	4,935	9,348,698
16. Insurance, except on real estate	2,292	409	2,496,833		2,499,534
17. Collection and bank service charges				1,036,205	1,036,205
18. Group service and administration fees			82,969,140		82,969,140
19. Reimbursements by uninsured plans	(106,029,745)	(162,882,798)	(530,708,457)		(799,621,000)
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulator authority licenses and fees			1,203,531		1,203,531
23.4 Payroll taxes	5,281,237	10,979,882	19,090,746	33,722	35,385,587
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25)	96,781,676	148,689,459	482,568,789	1,942,246	(a)...729,982,170
27. Less expenses unpaid December 31, current year		70,858,528	120,027,285		190,885,813
28. Add expenses unpaid December 31, prior year		77,503,817	156,219,520		233,723,337
29. Amounts receivable relating to uninsured plans, prior year		73,979,100	172,617,900		246,597,000
30. Amounts receivable relating to uninsured plans, current year		81,358,292	160,563,480		241,921,772
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	96,781,676	162,713,940	506,706,604	1,942,246	768,144,466

DETAILS OF WRITE-INS

	1	2	3	4	5
2501.					0
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)	0	0	0	0	0

(a) Includes management fees of $.....3,896,096 to affiliates and $.....142,410,832 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 36,723,497	32,360,938
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 112,782,210	116,988,830
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b) 64,451	71,520
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	9,224,326	10,512,517
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	1,563,713
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 8,482,924	8,179,776
7.	Derivative instruments	(f)	
8.	Other invested assets	(10,722,145)	
9.	Aggregate write-ins for investment income	7,675,639	51,022,075
10.	Total gross investment income	164,230,902	220,699,369
11.	Investment expenses		(g) 1,908,524
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 33,722
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 13,996,354
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		15,938,600
17.	Net investment income (Line 10 minus Line 16)		204,760,769

DETAILS OF WRITE-INS

0901.	SECURITY LENDING INCOME	9,408,347	9,408,347
0902.	MANAGEMENT FEES	(1,732,708)	(1,732,708)
0903.	HOME OFFICE RENT		43,346,436
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	7,675,639	51,022,075
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)		0

(a) Includes $.....4,310,684 accrual of discount less $.....3,293,999 amortization of premium and less $.....13,987,501 paid for accrued interest on purchases.
(b) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued dividends on purchases.
(c) Includes $..........0 accrual of discount less $..........0 amortization of premium and less $..........0 paid for accrued interest on purchases.
(d) Includes $..........0 for company's occupancy of its own buildings; and excludes $..........0 interest on encumbrances.
(e) Includes $.....3,866,834 accrual of discount less $.....101,984 amortization of premium and less $.....1,172,674 paid for accrued interest on purchases.
(f) Includes $..........0 accrual of discount less $..........0 amortization of premium.
(g) Includes $.....1,908,524 investment expenses and $.....33,722 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
(h) Includes $..........0 interest on surplus notes and $..........0 interest on capital notes.
(i) Includes $.....13,996,354 depreciation on real estate and $..........0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds	18,326,918		18,326,918		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	(6,964,321)	(72,669,383)	(79,633,704)	15,378,451	
1.3	Bonds of affiliates			0		
2.1	Preferred stocks (unaffiliated)	33,197	(1,028,717)	(995,520)	728,998	
2.11	Preferred stocks of affiliates			0		
2.2	Common stocks (unaffiliated)	(39,331,309)	(46,917,766)	(86,249,075)	(183,930,871)	
2.21	Common stocks of affiliates			0	27,103,671	
3.	Mortgage loans			0		
4.	Real estate			0		
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	226,882	(103,608)	123,274		
7.	Derivative instruments			0		
8.	Other invested assets	6,386,730		6,386,730	(1,545,456)	
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	(21,321,903)	(120,719,474)	(142,041,377)	(142,265,207)	0

DETAILS OF WRITE-INS

0901.				0		
0902.				0		
0903.				0		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	64,676	424,556	359,880
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums		167,046	167,046
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans	13,534,222		(13,534,222)
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset	118,175,622	85,735,541	(32,440,081)
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software	111,368,520	142,476,073	31,107,553
19. Furniture and equipment, including health care delivery assets	22,087,597	17,829,388	(4,258,209)
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivables from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable	4,139,738	3,617,412	(522,326)
23. Aggregate write-ins for other than invested assets	202,764,081	156,825,571	(45,938,510)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23)	472,134,456	407,075,587	(65,058,869)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. TOTALS (Lines 24 and 25)	472,134,456	407,075,587	(65,058,869)

DETAILS OF WRITE-INS

0901.			0
0902.			0
0903.			0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)	0	0	0
2301. Miscellaneous Accounts Receivable	5,408,730	5,463,501	54,771
2302. Prepaid and Other Assets	9,712,304	4,651,742	(5,060,562)
2303. Company Owned Automobile	329,924	484,397	154,473
2398. Summary of remaining write-ins for Line 23 from overflow page	187,313,123	146,225,931	(41,087,192)
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	202,764,081	156,825,571	(45,938,510)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of 1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	6 Current Year Member Months
1. Health maintenance organizations						
2. Provider service organizations						
3. Preferred provider organizations	1,237,496	1,246,145	1,258,382	1,268,953	1,277,188	15,374,722
4. Point of service	47,354	40,042	38,221	33,728	30,267	417,883
5. Indemnity only	442,940	453,808	446,839	438,988	422,078	5,112,011
6. Aggregate write-ins for other lines of business	785	778	776	769	779	9,306
7. Total	1,728,575	1,740,773	1,744,218	1,742,438	1,730,312	20,913,922

DETAILS OF WRITE-INS

0601. National Stoploss	90	91	94	95	104	1,152
0602. Local Stoploss	695	687	682	674	675	8,154
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	785	778	776	769	779	9,306

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

Blue Cross Blue Shield of Michigan (the "Company") is incorporated as a nonprofit health care corporation under the provisions of Public Act 350 of 1980 ("P.A. 350") of the state of Michigan. Hospital, medical, and other health benefits are provided under contracts with subscribers. The Company also operates health maintenance organization ("HMO") subsidiaries that provide health care services to subscribers and contracts with various physician groups, hospitals, and other health care providers to provide such services. In addition, the Company provides workers' compensation insurance, dental and provider network services, and long-term care insurance.

Michigan Office of Financial and Insurance Regulation ("OFIR") recognizes only statutory basis accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company. With the exception of the accounting treatment for Premium Deficiency Reserves as discussed in the following paragraph and footnote # 29, OFIR adopted the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* ("NAIC SAP") as the basis for its statutory basis accounting practices. The Commissioner of OFIR has the right to prescribe or permit other specific practices that may deviate from the Accounting Practices and Procedures promulgated by the NAIC. The accompanying statutory basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by OFIR.

In 2008, at the direction of OFIR, the Company limited its provision for all Premium Deficiency losses for nonprofit health care corporations shall not be booked beyond a two year time period. This deviates from the NAIC Accounting Practices and Procedures manual as prescribed in SSAP No. 54, Individual and Group Accident and Health Contracts that requires all reasonable foreseen losses to be accrued. If the provision for all individual losses would include all reasonably expected individual losses, net income and statutory surplus would be decreased by $197,000,000 at December 31, 2008.

A reconciliation of the Company's net income and capital and surplus between OFIR and NAIC SAP is shown below:

Net Income - MI OFIR	$	4,124,919
Premium Deficiency Reserve		(197,000,000)
Net Income - NAIC SAP	$	(192,875,081)

Statutory Surplus - MI OFIR	$	2,227,406,513
Premium Deficiency Reserve		(197,000,000)
Change in Deferred Income Tax		39,400,000
Change in Non Admitted Assets		(39,400,000)
Statutory Surplus - NAIC SAP	$	2,030,406,513

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

1. Short-Term Investments - Short-term investments and cash equivalents are recorded at amortized cost, which approximates market value, and include commercial paper, certificates of deposits, and other readily marketable investments with initial maturities less than one year for short-term investments and three months or less for cash equivalents.

2. Bonds - Bonds not backed by other loans that have an NAIC designation of one or two are stated at amortized cost using the interest method. Bonds with an NAIC designation of three or higher are carried at the lower of amortized cost or fair market value.

3. Common Stocks - Common stocks are valued as prescribed by the Securities Valuation Office of the NAIC. Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in surplus.

4. Preferred Stocks - Preferred stocks are stated at book value for NAIC classes one and two and lower of book value or market for NAIC classes three through six.

5. Mortgage loans on real estate – The Company does not have any mortgage loans.

6. Loan-backed securities are stated at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows

from the original purchases assumptions are accounted for using the retrospective method.

7. Investment in Subsidiaries and Goodwill - The Company uses the equity method in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities* in valuing its subsidiaries. In accordance with SSAP No. 68, *Business Combinations and Goodwill*, the Company reports its investments in subsidiaries inclusive of related goodwill balances. Included in the Company's common stock balance are the investments in Blue Care Network of Michigan (BCNM), Accident Fund Insurance Company of America (AFICA), DenteMax, LifeSecure Insurance Company (LSI), and Michigan Health Insurance Company ("MHIC"). Goodwill is amortized over ten years. As of December 31, 2008 the breakdown between goodwill and investments in subsidiaries is shown below.

		December 31, 2008 Statement Value
Common Stock Investments in Subsidiaries:		
Investment in BCNM*	$	343,228,000
Investment in AFICA		577,274,030
AFICA goodwill		33,319,500
Investment in DenteMax		0
DenteMax goodwill		689,500
Investment in Lifesecure		12,165,000
Investment in MHIC		8,496,000
MHIC goodwill		18,453,600
Amount included in common stock	$	993,625,630
Summary:		
Investment in Subsidiaries	$	941,163,030
Goodwill		52,462,600
Total	$	993,625,630

* Includes investments in BCNM, Blue Care of Michigan, Blue Care Network Medical Malpractice Self-Insurance Trust, Blue Care Network Stop-Loss, and Casualty Self-Insurance Trust.

As of December 31, 2008 the Company's goodwill balances were fully admissible. The goodwill limitation calculated based on the SSAP 68 was $217,961,223 and the Company's actual goodwill balance was $52,462,600, resulting in a fully admitted asset.

8. Investments in Joint Ventures, Partnerships and Limited Liability Companies - The Company has minor ownership interests in partnerships and limited liability companies. The Company carries the investment in partnership based on the underlying audited GAAP equity of the partnership. BCBSM's investment in National Account Service Company (NASCO) was reported as per SSAP 97 (8)(b)(ii).

9. Derivatives – NOT APPLICABLE

10. Premium Deficiency Reserve - A liability for premium deficiency losses is recognized when it is probable that expected claim losses and allocable

administrative expenses will exceed future premiums on existing health and other contracts without consideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. Premium deficiency losses are generally released over the period that the contract is in a loss position. As disclosed in footnote # 29, in the fourth quarter of 2008 the OFIR issued a prescribed practice to limit the time period for premium deficiency calculations to not exceed two years.

11. Liabilities for Unpaid Claim, Claim Adjustment Expenses, and Advances to Providers - Liabilities for unpaid claims and claim adjustment expenses are actuarial estimates of outstanding claims, including claims incurred but not reported ("IBNR"). These estimates are based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Interim hospital advances are reported as advances to providers. Processing expense related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.

12. Capitalization Policy – The Company has not modified its capitalization policy from the prior period.

13. Pharmaceutical Rebate Receivables – Pharmaceutical rebates are calculated using estimates based on guaranteed rebate rates, drug benefit trends and membership.

14. Real Estate – Real estate occupied by the Company is stated at cost and is depreciated using the straight-line method over estimated useful lives ranging from 30 to 40 years for buildings.

15. Long-Lived Assets - Long-lived assets held and used by the Company are reviewed for impairment based on market factors and operational considerations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

16. Premiums and Fee Revenues - Premiums, which generally are billed in advance, are recognized as revenue during the respective periods of coverage. Premiums applicable to the unexpired portion of coverage are reflected in the accompanying statements as aggregate health policy reserves.

    Fee revenue primarily consists of administrative fees for services provided under administrative service contracts ("ASC"), including management of medical services, claims processing, and access to provider networks. Under ASC arrangements, self-funded groups retain the full risk of paying claims. Amounts due from ASC groups are equal to the amounts required to pay claims and administrative fees. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group's claim experience. Since benefit expenses for ASC arrangements are not the responsibility of the Company, claims paid by the Company and the corresponding reimbursement of claims are not reported in the accompanying statutory basis financial statements. Administrative fee revenues related to ASC arrangements are included as a reduction in operating expenses, cost containment expenses, and other claim adjustment expenses.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

Amendment of 2007 Annual Statement -Legislation enacted in 2003, required that the Company prepare financial statements in 2004 using Statutory Accounting Principles (SAP) as set forth by the National Association of Insurance Commissioners. Prior to the change, the Company's financial statements were prepared using Generally Accepted Accounting Principles (GAAP). The legislation provided a three-year transition period for the Company to fully change to SAP. The transition plan permitted BCBSM to record the statutory impact to surplus for investment in subsidiaries based on the following percentages: 2004: 25%, 2005: 50% 2006: 75%. While under the transition plan, the GAAP to SAP adjustments for investment in subsidiaries were reported as non-admitted assets with a corresponding reduction to surplus. This procedure was continued in 2007, when the Company continued to report the adjustments to subsidiaries as non-admitted assets.

In May 2008, the Company amended its 2007 Annual Statement to report its subsidiary investments as set forth under the guidelines contained in SSAP No. 97, Investment in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88. This change included the Company's investment in NASCO which is reported in Other Invested Assets.

The amendments to the 2007 Annual Statement are set forth below. Statutory Surplus and Admitted Assets did not change as a result of this amendment.

Blue Cross Blue Shield of Michigan
Summary of Financial Impact of Amendments Made to 2007 Annual Statement
(in millions)

	2007 Annual Statement As Originally Filed			**2007 Annual Statement As Amended**			**Net Cha**		
Balance Sheet	Col. 1 Assets	Col 2 Nonadmitted Assets	Cols 1 - 2 Net Admitted Assets	Col. 1 Assets	Col 2 Nonadmitted Assets	Cols 1 - 2 Net Admitted Assets	Col. 1 Assets	Col 2 Nonadmitted Assets	Cols 1 - 2 Net Admitted Assets
Common Stk	1,939.6	313.3	1,626.3	1,626.3		1,626.3	**(313.3)**	**(313.3)**	-
Other Inv.	64.8	7.3	57.5	57.5		57.5	**(7.3)**	**(7.3)**	-
Total Assets	**6,145.9**	**727.7**	**5,418.2**	**5,825.2**	**407.0**	**5,418.2**	**(320.7)**	**(320.7)**	-
Liabilities			3,012.1			3,012.1			-
Capital and Surplus									
Beg Capital			2,501.4			2,501.4			-
Net Income			16.2			16.2			-
Chg in unrealized capital gains/losses			118.3			(202.4)			**(320.7)**
Chg in DTA			28.8			28.8			-
Change in Non-admitted			(258.6)			62.1			**320.7**
Total Surplus			**2,406.1**			**2,406.1**			**-**

3. BUSINESS COMBINATIONS – NOT APPLICABLE

4. DISCONTINUED OPERATIONS – NOT APPLICABLE

5. INVESTMENTS

A. Mortgage Loans – NOT APPLICABLE

B. Debt Restructuring – NOT APPLICABLE

C. Reverse Mortgages – NOT APPLICABLE

D. Loan-Backed Securities - Loan-backed securities are stated at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the retrospective method.

E. Repurchase Agreements – NOT APPLICABLE

F. Real Estate – NOT APPLICABLE

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

A. The Company has no investments in partnerships or limited liability companies that exceed 10 percent of its admitted assets.

B. The Company did not recognize any impairment for its investments in partnerships or limited liability companies during the statement period.

7. INVESTMENT IMPAIRMENT

The Company has an established investment impairment policy and regularly monitors its investments for declines in market value below cost that may be other than temporary (OTTI). In accordance with INT 06-07 *Definition of Phrase " Other Than Temporary"*, the Company's investment earnings include $120,301,000 of investment impairment losses for investment securities that have a fair market value less than their carrying value and for which the decline in value was considered by management to be OTTI. Under the provisions of INT 06-07 OTTI does not necessarily mean permanent, but recovery is not expected in the near-term. To determine if a security is OTTI impaired, the Company regularly performs a review of its securities. Factors taken into account for each individual security include: the length of time and extent to which the fair value has been less than cost; the underlying financial condition and the specific circumstances that are impacting the issuer in the marketplace and whether the Company has the intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in value. When evaluating the underlying financial condition of a security in 2008 the Company generally reviewed any debt security with a fair market value below its carrying value by more than 20 percent. Specific criteria for debt securities included: NAIC ratings, interest coverage ratio and ratings outlook. In 2008 the write-down to fair market value of debt securities resulted in approximately $72,300,000 of OTTI losses.

For equity investments the Company reviewed securities with a fair market value below its carrying value by more the 30 percent. Specific criteria used for equity security OTTI determination included analyst outlook and comparing the carrying value of the investment to target prices determined by rating analysts. In 2008 the OTTI write-downs to fair market value for equity securities resulted in approximately $47,900,000 of losses.

For securities with market values below cost that were determined not to be OTTI, at December 31, 2008 and 2007, the Company had the ability to hold these investments for the foreseeable future and will regularly monitor the existing unrealized loss, as well as any additional losses through future evaluation points. At future evaluation points the Company will again consider available evidence to evaluate potential impairment of its investments and determine if OTTI is apparent, at which time the Company will also determine if the investment should be sold or continue to be held in the investment portfolio and an impairment charge recorded. For declines in market value related to general market movement in interest rates, securities are not considered impaired, unless the Company has the positive intent to sell the security as of the reporting date.

A. Investment income due and accrued with amounts that are over 90 days past due will be nonadmitted.

B. No investment income due and accrued was nonadmitted at December 31, 2008.

8. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

9. INCOME TAXES

A. The components of the net deferred tax assets at December 31 are as follows: (In Thousands)

		2008		2007
Total of all gross deferred tax assets (admitted and nonadmitted)	$	250,956	$	206,131
Total of all gross deferred liabilities		(51,976)		(57,345)
Net deferred tax asset		198,980		148,786
Deferred tax asset nonadmitted in accordance with SSAP No. 10		(118,176)		(85,735)
Net admitted deferred tax asset	$	80,804	$	63,051
(Increase) in nonadmitted asset	$	(32,441)	$	(17,340)

B. Unrecognized Deferred Tax Liabilities – Not Applicable

C. Current income taxes incurred at December 31 consist of the following:

		2008		2007
Federal income tax on earnings other than net capital gains	$	21,888	$	12,804
Amounts incurred relating to prior years		1,687		(53,659)
Total federal income taxes incurred	$	23,575	$	(40,855)

The main components of the deferred tax amounts at December 31 are as follows:

		2008		2007
Deferred tax assets:				
Amounts accrued for postretirement benefits	$	99,787	$	93,762
Amounts accrued for premium deficiency		69,488		71,340
Discount of claim reserves		12,871		13,482
Amounts accrued to groups		400		400
Unrealized capital losses on investments		46,037		-
Accrued expenses and bad debts		22,374		27,147
Total deferred tax assets		250,956		206,131
Nonadmitted deferred tax assets		(118,176)		(85,735)
Admitted deferred tax assets		132,780		120,396
Deferred tax liabilities:				
Unrealized capital gains on investments		-		12,832
Rate recovery from area rated groups		-		150
Amounts prepaid for pension benefits		10,025		9,845
Depreciation, amortization and other		41,951		34,518
Total deferred tax liabilities		51,977		57,345
Net admitted deferred tax assets	$	80,804	$	63,051

D. The actual effective tax rate differs from the expected AMT rate of 20 percent primarily due to the tax impact recognized on the timing differences.

E. At December 31, 2008, the Company does not have any unused operating loss carryforwards available to offset against future taxable income.

F. The Company and three of its taxable subsidiaries, Accident Fund, DenteMax and Michigan Health Insurance Corporation, file a consolidated federal income tax return. Each taxable subsidiary is responsible for its own federal tax liability. The Company has tax sharing agreements in place with Accident Fund and Dentemax. A fourth subsidiary, LifeSecure, is also taxable, but existing tax legislation does not permit consolidation with non-life entities for the first five years of existence.

G. During 2008 the Company closed out several open tax years that were under various stages of the examination process with the IRS. The field examination for the tax years 2004 and 2005 was completed and closed in 2007 with no material tax adjustments required. The 1996 through 1999 audit, which was favorably resolved by the IRS Appeals Division in 2005, but held open for administrative matters, was also closed in 2007. The 2000 through 2003 audit cycle was favorably settled in 2007 and closed in 2008. The 2006 tax year was selected for examination and closed in 2008 with no tax adjustments required.

In 2007 the company recorded a tax benefit of $40.7 million for intangible asset deductions pertaining to tax years 1989 through 2004 that were in existence when the Company first became taxable in 1987. Refunds were received amounting to $38.1 million attributable to tax years 1989 through 1999. The remaining $2.6 million, attributable to tax years 2000 through 2004, was refunded in 2008 as part of the IRS audit agreements.

FASB Staff Position No. FIN 48-3 deferred the effective date of FIN No. 48 for nonpublic companies and pass-through entities to fiscal years beginning in 2009 in order to provide additional authoritative guidance for these entities. The Corporation has elected to defer the application of FIN No. 48 until 2009 and accordingly continues to evaluate uncertain tax provisions utilizing the guidance set forth in SFAS No. 5, Contingencies.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

The Company is incorporated as a nonprofit corporation under the provisions of P.A. 350 of 1980. Hospital, medical and other health benefits are provided under contracts with subscribers. The Company owns 100% of Blue Care Network of Michigan (“BCNM”), a health maintenance organization (“HMO”) subsidiary that provides health care services to subscribers and contracts with various physician groups, hospitals and other health care providers to provide such services. The Company also owns 100% of Michigan Health Insurance Company (MHIC), a for profit insurance company. Effective January 1, 2008, MHIC no longer had active members and has been in run-out status. The Company also owns 100% of Accident Fund Insurance Company of America (“AFICA”), a provider of workers’ compensation insurance, and DenteMax, providers of network services. The Company also owns 100% of LifeSecure Insurance Company, a long-term care insurance subsidiary.

The Company has agreements with each of its wholly owned subsidiaries under which both or either parties may provide services to each other. The agreements provide for monthly payments and a year-end settlement based on actual cost of services performed. All related-party receivable and payable balances are recorded as either amounts due to or from subsidiaries and affiliates.

At December 31, 2008 and 2007, BCBSM had receivables from subsidiaries amounting to $24,481,761 and $23,192,305, respectively, and payable to subsidiaries of $51,122,402 and $7,975,085, respectively. The payables are primarily attributable to the intercompany tax sharing amounts of $48,245,798 and $8,216,262 at 2008 and 2007, respectively for the Company’s taxable subsidiaries. BCNM participates in the BCBSM hospital settlement process. As related to that process, BCNM’s portion of underpayments due to hospitals or overpayment recoveries from hospitals will be accrued to or paid by the Company as applicable. As of December 31, 2008, settlements due to the Company from BCNM of $3,757,210 are included in the Company’s inter-company receivable. As of December 31, 2008, settlements owed to BCNM of $1,190,718 are included in the Company’s inter-company payable.

Dividends from subsidiaries were $2,000,000 and $2,400,000 in 2008 and 2007, respectively. The Company also performs various claims processing and management services. As of December 31, 2008 and 2007, these services totaled $894,857,212 and $629,231,613 respectively.

11. DEBT

The Company, as a member of the Federal Home Loan Bank of Indianapolis (FHLBI) has borrowings outstanding in the amount of $313,420,977 as of December 31, 2008, of which $420,977 is accrued interest due. Of these borrowings, $46,000,000 was obtained in 2006 under the FHLBI’s Community Investment Program used to finance the Company’s Detroit Campus Improvement Project. The term of this loan is for ten years and is subject to floating interest rate provisions that reset every three months based on the FHLBI’s cost of funds. Interest is paid monthly on the outstanding balance. During 2007 and 2008, a total of $200,000,000 with a term of five years was borrowed to take advantage of favorable borrowing terms. In 2008, another $67,000,000 of borrowings was made for liquidity purposes. Interest is payable monthly. All loans are collateralized by government securities at 105% of the outstanding loan balance. The weighted average borrowing rate as of December 31, 2008 on all outstanding loan balances of $313,000,000 was 2.60%. Total interest paid and accrued as of December 31, 2008 was $10,199,000.

The following table provides a breakdown of outstanding loans made with FHLBI:

Year Originated	Term	Interest Rate	Description	12/31/2008 Balance	12/31/2007 Balance
2006	10 year	3.00%	FHLBI - BCBSM parking garage	$ 46,000,000	$ 46,000,000
2007	5 year	4.11%	FHLBI - BCBSM liquidity and arbitrage	150,000,000	150,000,000
2008	5 year	4.17%	FHLBI - BCBSM liquidity and arbitrage	50,000,000	-
2008	5 year	0.65%	FHLBI - BCBSM liquidity and arbitrage	67,000,000	-
Total outstanding loans				$ 313,000,000	$ 196,000,000
Accrued interest				421,000	393,000
				$ 313,421,000	$ 196,393,000

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSCENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Defined Benefit Plan

Substantially all employees who meet certain requirements of age and length of service are covered by the Company’s defined benefit retirement income plans. Benefits paid to retirees are based on age at retirement, years of credited service and highest monthly average earnings over 60 consecutive months. Revisions to the represented employees’ retirement benefits will take effect on January 1, 2009. The Company will provide defined benefit cash balance pension program for newly-hired represented employees.

The company maintains a separate plan for unionized employees and employees not represented by the union. Under the Company’s retirement account plan for non-represented employees, each participant has an account balance to which interest and earnings credits are added. Interest is credited quarterly based on the prior August one-year Treasury bill rate. For employees hired prior to January 1, 2007, annual earnings credits of 6% to 19% are credited to participants’ account balances on a monthly basis and monthly 2% annual transition credits are made through 2008. For employees hired on or after January 1, 2007, annual earnings credits of 3% to 5% are credited to participants’ account balances on a monthly basis. Employees can elect to receive the lump-sum value of their vested account balance or monthly payments at retirement or termination.

The Company’s retirement income plan weighted-average target asset allocation and actual asset allocation at December 31, 2008 and 2007, by asset category are as follows:

Asset Category	**Target**	**2008**	**2007**
Equity securities	70.0 %	62.0 %	72.0 %
Debt securities	25.0	31.0	26.0
Other	5.0	7.0	2.0

The Company has developed an asset allocation policy based on its objectives, characteristics of pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the Company's risk posture. The Company uses a mix of core and satellite managers to implement its asset allocation policy. The Company reviews on a periodic basis its asset mix and reallocates its portfolio at any time there is a material deviation in the asset class as described in the allocation policy. The policy includes a target allocation as included in the table above and a range of plus or minus 3% of the target established. Asset allocations are currently outside of the target range due to the fact that market value reductions on equity securities exceed those on debt securities in 2008. The Company will rebalance pension asset allocations as provided in the guidelines as market conditions allow.

The Company provides certain health care and selected other benefits to all employees and their dependents. Represented and non-represented employees hired before January 1, 2004 who have at least ten years of service after age 45 and retire from active employment or who become disabled and meet certain benefit and service requirements are eligible. Non-represented employees hired on or after January 1, 2004 are required to have 15 years of service after age 45 to be eligible for retiree health care benefits and selected other benefits. Non-represented employees hired on or after January 1, 2007 will be provided access to retiree health care coverage but will be responsible for 100 percent of the cost of such benefit. Certain revisions to the non-represented employees' postretirement benefits other than pensions will take effect January 1, 2009. Effective for all non-represented employees not retired by January 1, 2010, a 4% annual cap will be placed on the annual increase in health care costs that will be paid by the Company. Any annual increase in cost above 4% will be paid by the plan participant. Effective January 1, 2008 and January 1, 2009, all participants in the non-represented plan and the represented plan, respectively, will be required to enroll in the Medicare Advantage program upon reaching age 65. Effective January 1, 2006, represented employees eligible to retire after December 31, 2016, are required to have 15 years of service after age 45 to be eligible for retiree health care benefits and selected other benefits and will be subject to premium sharing based on select coverage options and retirement date. Effective January 1, 2009, the Company will not offer retiree health care coverage to newly-hired represented employees.

This benefit is subject to revision at the discretion of the Board of Directors for non-represented employees and for represented employees, subject to collective bargaining agreements.

A summary of assets, obligations and assumptions of the pension and other postretirement benefit plans at plan measurement dates of September 30, 2008 and 2007, and as recorded at December 31, 2008 and 2007 are as follows (dollars in thousands):

1) Change in benefit obligation:

	Pension Benefits 2008	Pension Benefits 2007	Postretirement Benefits 2008	Postretirement Benefits 2007
Benefits obligation—beginning of year	$ 871,004	$ 865,497	$ 352,171	$ 384,592
Service cost	32,416	35,053	27,964	29,866
Interest cost	53,869	50,916	21,411	20,278
Actuarial loss (gain)	(144,978)	(24,344)	(68,250)	(44,554)
Benefits and administrative expenses paid	(71,292)	(56,118)	(17,534)	(18,825)
Amendments	1,963	-	(32,804)	(19,186)
Benefits obligation—end of year	$ 742,982	$ 871,004	$ 282,958	$ 352,171

2) Change in plan assets:

	Pension Benefits 2008	Pension Benefits 2007	Postretirement Benefits 2008	Postretirement Benefits 2007
Fair value of plan assets—beginning of year	$ 901,449	$ 833,408	$ -	$ -
Actual return on plan assets	(160,963)	122,977	-	-
Contributions received	23,551	-	-	-
Inter-plan transfer	(1,818)	(640)		
Benefits and administrative expenses paid	(69,375)	(54,296)	-	-
Fair value of plan assets—end of year	$ 692,844	$ 901,449	$ -	$ -

3) Funded Status:

	Pension Benefits 2008	Pension Benefits 2007	Postretirement Benefits 2008	Postretirement Benefits 2007
Projected benefit obligation	$ 742,982	$ 871,004	$ 282,958	$ 352,171
Fair value of plan assets	692,844	901,449	-	-
Unfunded (funded) status	50,138	(30,445)	282,958	352,171
Unamortized prior service cost	$ (8,308)	$ (7,588)	$ 54,309	$ 25,504
Unrecognized net (loss) gain	$ (102,888)	$ (21,915)	$ 18,459	$ (50,995)
Remaining net obligation or (net asset) at initial date of application	$ (97,052)	$ (91,359)	$ -	$ -
(Prepaid non-admitted assets)	$ (97,052)	$ (91,359)	$ -	$ -
Accrued pension expense included in other liabilities	$ 36,470	$ 34,872	$ 355,726	$ 326,680
Information for pension plans with a projected benefit obligation in excess of plan assets:				
Projected benefit obligation	$ 23,287	$ 25,233	$ -	$ -
Accumulated Benefit Obligation	$ 21,989	$ 23,419	$ -	$ -
Fair value of plan assets	$ -	$ -	$ -	$ -

4) Projected benefit obligation at December 31, 2008 and 2007, for non-vested employees is as follows:

	Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007
Projected benefit obligation for non-vested employees	$ 8,077	$ 11,182	$ 77,872	$ 134,879

5) Components of net periodic benefit cost at December 31, 2008 and 2007:

	Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007
Service cost	$ 32,416	$ 35,053	$ 27,964	$ 29,866
Interest cost	53,869	50,916	21,411	20,278
Expected return on plan assets	(72,127)	(68,732)	-	-
Amortization	3,332	7,831	(2,796)	(187)
Total net periodic benefit cost	$ 17,490	$ 25,068	$ 46,579	$ 49,957

6) Minimum pension liability adjustment – Not Applicable

7) The assumptions used in determining the actuarial present value of the projected benefit obligations at December 31, 2008 and 2007, as listed above are as follows:

	Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007
Discount rate	8.45%	6.30%	8.35%	6.40%
Rate of compensation increase	4.75%	4.75%		
Expected long-term rate of return on plan assets	9.00%	9.00%		

For 2009, the expected long-term rate of return on assets will be 9.00%.

For 2008 measurement purposes, the health care trend rate on covered postretirement benefits is assumed to be 7.75% for 2009, ratably downgrading to 5.00% by 2015 and all years thereafter.

8) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 7,080	$ 5,851
Effect on postretirement benefit obligation	$ 29,654	$ 25,381

9) At December 31, 2008, the gross benefit payments expected to be paid and Medicare Part D subsidies anticipated to be received by the Company are as follows:

	Pension Benefits	Postretirement Benefits	
Years Ending December 31	Future Benefit Payments	Future Benefit Payments	Anticipated Future Subsidies
2009	$ 114,320	$ 25,320	$ 1,480
2010	46,670	25,650	1,680
2011	49,460	27,940	1,910
2012	53,580	30,240	2,190
2013	56,680	32,440	2,520
2014 through 2018	348,710	194,640	18,610
Total	$ 669,420	$ 336,230	$ 28,390

10) During 2008, the Company contributed $23.6 million to the defined benefit pension plan. As of December 31, 2008, the Company does not expect to contribute to its defined benefit pension plans in 2009.

B. Defined Contribution Plan

Substantially all employees of the Company who have attained the age of 21 years and have completed three months of continuous service may elect to participate in one of two employee savings plans, which are qualified under Section 401(k) of the Internal Revenue Code. Effective January 1, 2009, current and newly-hired represented employees will be automatically enrolled in the 401(k) plan after meeting eligibility requirements. For both non-represented and represented employees, the Company matches 50% of employee contributions up to 10% of bi-weekly adjusted W-2 wages for employees with one year of continuous service. The Company's contribution was $13.5 million and $12.9 million for 2008 and 2007, respectively.

C. Nonqualified Plans

Retirement benefits are provided for a group of key employees under nonqualified defined benefit pension plans. The general purpose of the plans is to provide additional retirement benefits to participants who are subject to the contribution and benefit limitation contained in the Internal Revenue Code. Benefits under the plans are unfunded and paid out of the general assets of the Company. The accumulated benefit obligation for these plans was $22.0 million and $23.4 million at December 31, 2008 and 2007, respectively.

D. Multi-employer Plans – NOT APPLICABLE

E. Consolidated/Holding Company Plans – NOT APPLICABLE

F. Post employment Benefits and Compensated Absences – NOT APPLICABLE

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

A. Under the provisions of Public Act No. 59 of 2003 (“Act 59”) of the state of Michigan, the Company must maintain adequate subscriber reserves to comply with Section 403 of the Michigan Insurance Code, which requires authorized insurers to be safe, reliable and entitled to public confidence. As a result, the Company is required to file with OFIR, on an annual basis, its risk-based capital (“RBC”) calculation based on the National Association of Insurance Commissioners (“NAIC”) model. Act 59 requires the Company to maintain a RBC ratio of at least 200% but not to exceed 1,000% of subscriber reserves. At December 31, 2008 the Company was in compliance with the RBC requirement under full NAIC SAP practices.

B. BCBSM has no preferred stock outstanding.

C. Under the provisions of The Nonprofit Health Care Corporation Act of 1980, the Company is deemed a charitable and benevolent institution whose primary purpose is to promote the distribution of healthcare services for all Michigan residents. As such, the Company has no investors or contributed capital.

D. Dividend payment restriction – NOT APPLICABLE

E. Surplus Restriction – NOT APPLICABLE

F. The total amount of advances to surplus not repaid – NOT APPLICABLE

G. The amount of stock held by BCBSM for special purposes – NOT APPLICABLE

H. Special surplus funds changes – NOT APPLICABLE

I. The portion of unassigned funds (surplus) represented or reduced by each item below:

a. Unrealized gains and losses	$	(142,265,207)
b. Nonadmitted asset values	$	(65,058,869)
c. Provision for reinsurance	$	0

J. Surplus debentures of similar obligations – NOT APPLICABLE

K. Impact of any restatement due to quasi-reorganization – NOT APPLICABLE

L. Effective dates of all quasi-reorganizations in the prior 10 years – NOT APPLICABLE

14. CONTINGENCIES

A. Contingent Commitments – NOT APPLICABLE

B. Assessments – NOT APPLICABLE

C. Gain Contingencies – NOT APPLICABLE

D. Claims Related Extra Contractual Obligation Lawsuits – NOT APPLICABLE

E. All Other Contingencies

During 2007, the Company along with BCBSA and several Blue Cross Blue Shield Plans (the “Plans”), reached an agreement with a nationwide class of physicians resolving a class action lawsuit with respect to the pricing of medical claim payments. The final order approving the settlement was entered by the trial court in April 2008. The final order approving the agreement resolves business disagreements between the Plans and physicians regarding payments, and calls for the Plans to strengthen business practices that promote open communication and cooperation with physicians in the future. The Company's share of the cash portion of the settlement amounting to $15.9 million is fully accrued on the statement of financial position. There is one remaining appeal pending pertaining to the final settlement.

The Company is the defendant in numerous other lawsuits arising in the normal course of business primarily related to subscriber benefits and provider reimbursement issues such as incentive payments and participation arrangements.

While the ultimate outcome and estimate of range of potential loss of the aforementioned lawsuits and others not specifically mentioned cannot be determined at this time, it is the opinion of management and legal counsel that the outcome of such lawsuits will not have a material adverse effect on the Company's statutory basis financial statements.

Under the terms of self-funded administrative service contracts with its customers, the Company is subject to audits of claims processed by the Company as well as those processed by its related participating plans in other states. Such audits encompass the accuracy of claims payments made on behalf of customers and the administrative expenses charged to the customer. The Company records an estimated amount for the resolution of customer disputes. Settlements of such disputes are not expected to have a material effect on the Company's statutory basis financial statements.

Management believes any probable contingencies are appropriately recorded in other liabilities.

15. LEASES

In 2008, the Company exercised the lease renewal option contained in the sale and leaseback agreement with RBS Asset Finance that was originally executed in 2003. In the original transaction the Company sold substantially all its computer hardware and capitalized software at a sale price equal to net book value and subsequently lease the assets back. There was no gain or loss recognized on this transaction. The renewal option extended for an additional five-year term, the lease balance of $77.1 million.

As part of the sale and leaseback financing agreement, the Company is required to maintain a letter of credit to collateralize the transaction. The current letter of credit is with Comerica Bank. The amount of the letter of credit is equal to 100% of the entire lease balance then outstanding. The term of the letter of credit is for one year and will renew annually.

The Company entered into a new sale and leaseback agreement with Bank of America on December 31, 2008. Under this transaction, the Company sold and leased back capitalized software not covered under the sale and leaseback transaction with RBS Asset Finance. The sale price of $74.8 million for the capitalized software was equal to the net book value of the assets, accordingly no gain or loss was recognized.

The initial lease is sixty months, beginning on December 31, 2008, and monthly lease payments are based on a five-year amortization.

As part of the financing agreement, the Company is required to maintain a letter of credit to collateralize the transaction. The current letter of credit is with the Federal Home Loan Bank of Indianapolis. The amount of the letter of credit is equal to the stipulated loss value percentage which approximates 105% of the outstanding lease balance. The term of the letter of credit is for one year and will renew annually.

The sale-leaseback transactions have been accounted for under SSAP No. 22, *Leases,* which requires a sale of equipment that is accompanied by a leaseback of all or part of the equipment be accounted for as an operating lease. The rent expense incurred for the years ended December 31, 2008 and 2007, related to the sale-leaseback transactions, was $20.4 million and 21.2 million, respectively.

Future minimum lease payments as of December 31, 2008, in connection with the sale-leaseback transactions are as follows:

2009	$	34,084,000
2010		34,046,000
2011		34,116,000
2012		34,106,000
2013 and thereafter		30,826,000
Total Minimum Payments	$	167,178,000
Less amount representing interest		(17,890,000)
Sale-leasback obligation at Decemebr 31, 2008	$	149,288,000

In addition, the Company leases certain computer equipment and office space under various non-cancelable operating leases. Rental expense was $7.4 and $6.6 million for 2008 and 2007, respectively. At December 31, 2008, future minimum lease payments are as follows:

Years Ending December 31		
2009	$	4,826,000
2010		4,966,000
2011		4,691,000
2012		4,793,000
2013		4,922,000
2014 and thereafter		5,121,000
Total	$	29,319,000

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

The Company, in the normal course of business, enters into security lending agreements with various other counterparties. Under these agreements, the Company lends various securities in exchange for collateral consisting primarily of cash or U.S. government-backed securities, approximating 102% of the value of the securities loaned. The collateral is marked to market on a daily basis. Cash collateral is invested by the custodian banks in a short-term high quality fund. The security lending agreements are primarily overnight in nature and subject to renewal or termination. If the agreement is terminated, the securities are returned to the Company. At December 31, 2008 and 2007, the Company had securities loaned of $834,927,549 and $1,420,770,010, respectively, with corresponding cash collateral of $851,321,750 and $893,115,896, respectively and non-cash collateral of $5,271,475 and $566,370,420, respectively.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans – NOT APPLICABLE

B. ASC Plans - The loss from operations of administrative service contracts (ASC) uninsured plans and the uninsured portion of partially insured plans (ASC plans with stop loss coverage) for the period ended December 31, 2008, are as follows:

	ASC Plans without stoploss	ASC Plans with stoploss	Total
Gross reimbursement for medical cost incurred	$ 5,494,059,890	$ 5,054,246,110	$ 10,548,306,000
Gross administrative fees accrued	347,657,897	451,963,103	799,621,000
Subsidy transfer	(1,142,634)	(48,879,701)	(50,022,335)
Gross expenses incurred (claims and administrative)	5,845,601,233	5,487,847,804	11,333,449,037
Total net loss from operations	$ (5,026,080)	$ (30,518,292)	$ (35,544,372)

Net Underwriting Gain(Loss)	Insured	ASC	Total
Premium fees and reimbursements	$ 6,806,040,211	$ 11,347,927,000	$ 18,153,967,211
Claims Incurred	6,107,862,995	10,548,306,000	16,656,168,995
Administrative Expenses	742,517,887	785,143,037	1,527,660,924
Total Operating Expenses	6,850,380,882	11,333,449,037	18,183,829,919
Senior Cost Transfer	50,022,335	(50,022,335)	-
Underwriting Gain/(Loss) before PDR	5,681,664	(35,544,372)	(29,862,708)
Premium Deficiency Reserve	9,264,000	-	9,264,000
Underwriting Gain/(Loss) After PDR	$ 14,945,664	$ (35,544,372)	$ (20,598,709)

C. Medicare or Similarly Structured Cost Based Reimbursement Contract – NOT APPLICABLE

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS - NOT APPLICABLE

20. OTHER ITEMS

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures:

Blue Cross Blue Shield Association ("BCBSA") Deposit - As part of its Blue Cross Blue Shield Association (“BCBSA”) license requirements, the Company is required to maintain a custodial bank account to assure the payment of claims in the event of the Company’s insolvency. The account balance is calculated as a percentage of the Company’s unpaid claim liability and consists primarily of marketable securities. The funds in the account are included in the Company’s investment portfolio. The Company has the ability to trade and transfer securities within the account as long as the balance in the account is at or above the required minimum. The required balance for the period April 1, 2008 through March 31, 2009, is $140.4 million. At December 31, 2008, the balance in this custodial account was $161.7 million.

D. Uncollectible Assets on Uninsured plans – NOT APPLICABLE

E. Business Interruption Insurance Recoveries – NOT APPLICABLE

F. State Transferable Tax Credits - NOT APPLICABLE

G. Aggregate amount of deposits admitted – NOT APPLICABLE

H. Hybrid Securities – NOT APPLICABLE

I. Subprime Mortgage Related Risk Exposure –

The Company does not engage in sub-prime residential mortgage lending. In addition, the Company does not own any securities within the investment portfolio with sub-prime exposure. The Company does not have any underwriting risk on policies issued for Mortgage Guaranty or Financial Guarantee insurance coverage.

21. EVENTS SUBSEQUENT – NONE

22. REINSURANCE

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

   Yes ( ) No (**X**)

   If yes, give full details.

2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

   Yes ( ) No (**X**)

Section 2 – Ceded Reinsurance Report – Part A

1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

   Yes ( ) No (**X**)

   a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate $________.

b. What is the total amount of reinsurance credits taken, wheter as an asset or as a reduction of liability for these agreements in this statement? $0___.

2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that m in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (**X**)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate $___0_____.

2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (**X**)

If yes, what is the amount of reinsurance credits, wheter an asset or a reduction of a liability, taken for such new agreements or amendments? $__________.

B. Uncollectible Reinsurance – None

C. Commutation of Ceded Reinsurance - None

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

A. The company establishes a liability for experience rated group contracts and portions of Medicare Part D prescription drug contracts as a result of favorable experience based on an actuarial estimate of underwriting gains which will be returned to customers, either as cash refunds or future rate reductions. Liabilities for experience contracts were $391,986,410 and $343,929,747 at December 31, 2008 and 2007, respectively. Under terms of most of the experience-rated contracts, recovery, if any, of underwriting losses through future rate increases is not recognized until received.

B. During 2008 and 2007, net premiums written that are subject to retrospective rating features were $1,996,051,485 and $2,012,079,308, respectively, which represents 29% and 33%, respectively, of total net premiums written. As of December 31, 2008, receivables for accrued retrospective premiums totaled $0 and $1,242,718 at December 31, 2008 and 2007 respectively, of these amounts $0 and $167,046 respectively, were non-admitted assets.

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSE-

This estimate is based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Processing expense related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.

25. INTER-COMPANY POOLING ARRANGEMENTS – NOT APPLICABLE

26. STRUCTURED SETTLEMENTS – NOT APPLICABLE

27. HEALTH CARE RECEIVABLES

The Company receives pharmaceutical rebates from third-party pharmacy benefit managers. These rebates are calculated using estimates based on guaranteed rebate rates, drug benefit trends, and membership. Activity for 2006-2008 is summarized as follows (In Thousands):

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2008	$ 36,082	$ 13,000	$ 13,000	$ -	$ -
9/30/2008	22,847	35,306	35,306	-	-
6/30/2008	25,681	32,102	32,102	-	-
3/31/2008	25,055	30,744	30,744	-	-
12/31/2007	$ 25,160	$ 15,040	$ 15,040	$ -	$ 721
9/30/2007	34,135	36,419	36,419	-	721
6/30/2007	21,429	33,565	33,565	-	721
3/31/2007	32,987	28,227	28,227	-	721
12/31/2006	$ 25,840	$ 35,230	$ 35,230	$ -	$ 2,699
9/30/2006	32,946	28,552	28,552	-	2,699
6/30/2006	30,948	37,904	37,904	-	2,699
3/31/2006	37,539	33,767	33,767	-	2,699

28. PARTICIPATING POLICIES – NOT APPLICABLE

29. PREMIUM DEFICIENCY RESERVES

Premium deficiency reserves at December 31, 2008 and 2007, consist of the following:

	Balance 12/31/2007	Additional Provision	Amortization	Balance 12/31/2008
MIChild	$ 10,800,000	$ 15,100,000	$ 14,700,000	$ 11,200,000
Individual	136,600,000	115,600,000	42,500,000	209,700,000
Medicare Complementary	209,300,000	(15,200,000)	67,600,000	126,500,000
Total	$ 356,700,000	$ 115,500,000	$ 124,800,000	$ 347,400,000

Projected Loss by Year	MIChild	Individual	Medicare Comp	Total
2009 year	$ 11,200,000	$ 106,850,000	$ 67,000,000	$ 185,050,000
2010 year		102,850,000	59,500,000	162,350,000
	$ 11,200,000	$ 209,700,000	$ 126,500,000	$ 347,400,000

The MIChild premium deficiency reserve (PDR) was established for the anticipated losses on the state sponsored insurance program, which provides health and dental benefits for uninsured children of Michigan's working families. The $10,800,000 balance at December 31, 2007, was the estimated loss for the contract period in effect ended September 30, 2008. At October 1, 2008, the Company established a new premium deficiency reserve of $15,100,000 based on a current valuation of anticipated losses for the new contract period ending September 30, 2009. At December 31, 2008 the outstanding balance of $11,200,000 represents anticipated losses for the current contract period. For the 2006-2008 contract years, an agreement with the state of Michigan limits the Company's annual underwriting loss from the MIChild program to $15,500,000 per year, as such a receivable for excess losses of $16,820,000 and $7,502,000 were established at December 31, 2008 and 2007, respectively.

The premium deficiency reserve for the Company's individual business and the Medicare complimentary business were established for anticipated losses for the contract years 2009 through 2010, primarily due to expected future premium rate increases being insufficient to cover future benefit trends.

Premium Deficiency Reserve Prescribed Practice

In 2008, a state prescribed practice was issued by OFIR which limits the premium deficiency reserve for the company's individual lines of business to no more than two years. In prior years, a provision for all individual business losses that could be reasonably foreseen was determined. In 2008, if the provision for all individual business losses provided for all reasonably expected individual losses, an additional liability of $197 million would be recorded in the statutory statements. The prescribed practice as set forth in order No. 08-060-M is set forth below.

Nonprofit health care corporations must prepare their financial statements in accordance with the NAIC Accounting Practices and Procedures manual except as modified by this order. The NAIC Accounting Practices and Procedures manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual in Note #1 of the financial statements. The following modifies the NAIC Accounting Practices and Procedures manual guidance for nonprofit health care corporations filing in Michigan.

SSAP 54

Statement of Statutory Accounting Principles #54, paragraph 18 requires companies to record an additional liability known as a premium deficiency reserve when expected claim payments or incurred costs, claim adjustment expenses and administration costs exceed the premiums to be collected for the remainder of a contract period. Determination of the appropriate contract period can be difficult and subject to consideration of variable factors. Due to the fact that the number of and variability surrounding the assumptions used to determine the liability increases dramatically with each year added onto the time period, we are providing additional prescribed guidance on the time period a nonprofit health care corporation should use when reporting a premium deficiency reserve in the financial statements filed with the commissioner. Any premium deficiency reserve recorded shall not be booked beyond a two year time period.

30. ANTICIPATED SALVAGE AND SUBROGATION

Coordination of Benefit Recoveries	**2008**	**2007**
2004 Accident Year	-	2,938
2005 Accident Year	6,686	6,527
2006 Accident Year	(35,605)	1,728,285
2007 Accident Year	2,495,245	13,736,694
2008 Accident Year	21,985,722	

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State regulating? Michigan

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2003

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/16/2005

3.4 By what department or departments? Michigan Department of Financial Insurance Services

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control ....%

7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche, Suite 900, 600 Renaissance Center, Detroit, Michigan 48243-1704

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Dave Nelson FSA MAAA Vice President and Chief Actuary
Blue Cross Blue Shield of Michigan, 600 E. Lafayette, MC 2010, Detroit, Michigan 48226

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved ....

11.13 Total book/adjusted carrying value ....

11.2 If yes, provide explanation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
c. Compliance with applicable governmental laws, rules and regulations;
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
e. Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers $..........0
- 18.12 To stockholders not officers $..........0
- 18.13 Trustees, supreme or grand (Fraternal only) $..........0

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers $..........0
- 18.22 To stockholders not officers $..........0
- 18.23 Trustees, supreme or grand (Fraternal only) $..........0

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others ....
- 19.22 Borrowed from others ....
- 19.23 Leased from others ....
- 19.24 Other ....

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment ....
- 20.22 Amount paid as expenses ....
- 20.23 Other amounts paid ....

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. $..........0

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)? Yes [X] No [ ]

22.2 If no, give full and complete information relating thereto.

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 16 where this information is also provided).

Off-balance sheet cash collateral $851,321,750 (BCBSM participates in third party custodial agreement)

Off-balance sheet non-cash collateral $5,271,475 (BCBSM participates in third party custodial agreement0

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ]

22.5 If answer to 22.4 is yes, report amount of collateral. $..........834,927,549

22.6 If answer to 22.4 is no, report amount of collateral. ....

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [X] No [ ]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21	Subject to repurchase agreements	$..0
23.22	Subject to reverse repurchase agreements	$..0
23.23	Subject to dollar repurchase agreements	$..0
23.24	Subject to reverse dollar repurchase agreements	$..0
23.25	Pledged as collateral	$.......................636,506,459
23.26	Placed under option agreements	$..0
23.27	Letter stock or securities restricted as to sale	$..0
23.28	On deposit with state or other regulatory body	$..0
23.29	Other	$..0

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year: ....

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Insurance Services	801 Pennsylvania Kansas City MI 64105
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing, Indianapolis IN 46240
Comerica Bank	Institutional Trust, P.O Box 75000, Detroit, MI 48275
Fidelity Investments	100 Magellan Way, Covington, KY 41015

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
105377	One Financial Center, Boston, MA 02111	One Financial Center, Boston, MA 02111
106810	Munder Capital Management	480 Pierce St Birmingham, MI 48009-6059
109591	New York Life Investment Management	1180 Sixth Ave, 21 st floor, New York, NY 10036
108518	Snyder Capital Management, LP	1, Market Plaza, Steauart Tower,Suite 1200 San Francisco,
105958	The Vanguard Group	PO Box 2600 Valley Forge, PA 19482
110441	Western Asset Management Co	385 East Colorado Blud, Pasadena, CA 91101

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [X] No [ ]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
78462F 10 3	Spy Exchange Traded Funds	116,952,033
921913 30 7	Vanguard Structured L/C	68,354,943
722005 62 6	PIMCO All Assets	11,571,786
27.2999. TOTAL		196,878,762

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Spy Exchange Traded Funds	Exxon Mobil	5,906,078	12/31/2008
Vanguard Structured L/C	Exxon Mobil	2,685,666	12/31/2008
PIMCO All Assets	PIMCO all assets	0	12/31/2008

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds..	2,909,344,174	2,904,100,455	..............(5,243,719)
28.2 Preferred stocks...	3,605,386	4,159,204	553,818
28.3 Totals..	2,912,949,560	2,908,259,659	..............(4,689,901)

28.4 Describe the sources or methods utilized in determining the fair values:
Values are provided by our Custodian bank State Street Bank.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $............................6,498,256

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross Blue Shield Association	6,352,604

31.1 Amount of payments for legal expenses, if any? $............................2,356,149

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dickinson Wright	1,079,374

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $...............................434,045

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [X] No [ ]

1.2 If yes, indicate premium earned on U.S. business only $.................255,536,359

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $...................................0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $...................................0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $.................399,736,681

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $.................255,536,359

1.62 Total incurred claims $.................399,736,681

1.63 Number of covered lives 207,067

All years prior to most current three years:

1.64 Total premium earned $...................................0

1.65 Total incurred claims $...................................0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $...................................0

1.72 Total incurred claims $...................................0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $...................................0

1.75 Total incurred claims $...................................0

1.76 Number of covered lives 0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator..	6,835,648,247	6,184,769,645
2.2 Premium Denominator.......................................	6,835,648,247	6,184,769,645
2.3 Premium Ratio (2.1/2.2).....................................	..........................100.0	...............................100.0
2.4 Reserve Numerator...	1,623,474,733	1,621,922,660
2.5 Reserve Denominator..	1,623,474,733	1,621,922,660
2.6 Reserve Ratio (2.4/2.5)......................................	..........................100.0	...............................100.0

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [X] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]

5.2 If no, explain:

Blue Cross Blue Shield of Michigan does not utilize stop-loss reinsurance due to the size and stability of the business and sufficient levels of capitalization

5.3 Maximum retained risk (see instructions):

5.31 Comprehensive medical $...................................0

5.32 Medical only $...................................0

5.33 Medicare supplement $...................................0

5.34 Dental and vision $...................................0

5.35 Other limited benefit plan $...................................0

5.36 Other $...................................0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Maintain a restricted custodial bank account determined on the basis of a formula set by BCBSA and continuation insurance coverage with Collins and Associates.

7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [ ] No [X]

7.2 If no, give details:

Claims liabilities are based on paid/incurred claims triangulation

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 40,029

8.2 Number of providers at end of reporting year 41,397

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No [ ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months $...................................0

9.22 Business with rate guarantees over 36 months $...................................0

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses $...................44,708,375

10.22 Amount actually paid for year bonuses $...................44,708,375

10.23 Maximum amount payable withholds $...................................0

10.24 Amount actually paid for year withholds $...................................0

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]

11.13 An Individual Practice Association (IPA), or Yes [ ] No [X]

11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [ ] No [X]

11.3 If yes, show the name of the state requiring such net worth.

11.4 If yes, show the amount required. ....

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Michigan

FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	5,127,545,355	5,418,152,286	5,237,887,264	4,846,088,978	4,323,733,105
2. Total liabilities (Page 3, Line 22)	2,900,138,842	3,012,063,208	2,736,443,080	2,385,068,109	2,080,025,393
3. Statutory surplus	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869	2,243,707,712
4. Total capital and surplus (Page 3, Line 31)	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869	2,243,707,712
Income Statement Items (Page 4)					
5. Total revenues (Line 8)	6,806,040,210	6,169,179,593	5,805,419,538	5,523,155,022	5,518,400,812
6. Total medical and hospital expenses (Line 18)	6,107,862,995	5,685,387,252	5,205,222,315	4,764,024,261	4,741,767,141
7. Claims adjustment expenses (Line 20)	245,471,136	214,473,405	179,680,979	162,363,543	146,094,381
8. Total administrative expenses (Line 21)	482,568,788	476,968,610	446,184,971	382,867,090	334,178,455
9. Net underwriting gain (loss) (Line 24)	(20,598,709)	(318,926,674)	808,273	104,500,128	168,860,835
10. Net investment gain (loss) (Line 27)	62,719,392	224,087,974	181,831,855	145,840,683	169,584,382
11. Total other income (Lines 28 plus 29)	(14,421,621)	70,167,452	11,930,239	12,790,186	37,392,858
12. Net income or (loss) (Line 32)	4,124,919	16,184,425	158,926,121	193,004,312	238,811,712
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	(72,861,855)	244,386,022	257,818,197	299,679,672	271,973,514
Risk-Based Capital Analysis					
14. Total adjusted capital	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869	2,243,707,712
15. Authorized control level risk-based capital	338,214,279	348,173,506	317,971,740	276,012,909	282,994,740
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	1,730,312	2,581,219	2,569,448	2,540,301	2,621,892
17. Total member months (Column 6, Line 7)	20,913,922	30,992,554	30,854,629	30,862,149	31,590,818
Operating Percentage (Page 4) **(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0**					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	89.7	100.0	100.0	100.0	100.0
20. Cost containment expenses	1.4	1.4	1.1	0.8	0.9
21. Other claims adjustment expenses	2.2	2.1	2.0	2.1	2.6
22. Total underwriting deductions (Line 23)	100.3	105.2	100.0	98.1	96.9
23. Total underwriting gain (loss) (Line 24)	(0.3)	(5.2)	0.0	1.9	3.1
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5)	554,051,907	551,239,223	450,712,757	458,613,882	482,601,216
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	669,330,578	613,072,649	469,080,844	481,433,976	576,481,245
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
27. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1)					
28. Affiliated common stocks (Sch D. Summary, Line 53, Col. 1)	993,625,630	968,891,058	1,024,332,105	920,545,469	839,255,522
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	993,625,630	968,891,058	1,024,332,105	920,545,469	839,255,522

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
		Direct Business Only							
1. Alabama AL	N							0	
2. Alaska AK	N							0	
3. Arizona AZ	N							0	
4. Arkansas AR	N							0	
5. California CA	N							0	
6. Colorado CO	N							0	
7. Connecticut CT	N							0	
8. Delaware DE	N							0	
9. District of Columbia DC	N							0	
10. Florida FL	N							0	
11. Georgia GA	N							0	
12. Hawaii HI	N							0	
13. Idaho ID	N							0	
14. Illinois IL	N							0	
15. Indiana IN	N							0	
16. Iowa IA	N							0	
17. Kansas KS	N							0	
18. Kentucky KY	N							0	
19. Louisiana LA	N							0	
20. Maine ME	N							0	
21. Maryland MD	N							0	
22. Massachusetts MA	N							0	
23. Michigan MI	L	5,556,140,615	945,150,948		334,356,684			6,835,648,247	
24. Minnesota MN	N							0	
25. Mississippi MS	N							0	
26. Missouri MO	N							0	
27. Montana MT	N							0	
28. Nebraska NE	N							0	
29. Nevada NV	N							0	
30. New Hampshire NH	N							0	
31. New Jersey NJ	N							0	
32. New Mexico NM	N							0	
33. New York NY	N							0	
34. North Carolina NC	N							0	
35. North Dakota ND	N							0	
36. Ohio OH	N							0	
37. Oklahoma OK	N							0	
38. Oregon OR	N							0	
39. Pennsylvania PA	N							0	
40. Rhode Island RI	N							0	
41. South Carolina SC	N							0	
42. South Dakota SD	N							0	
43. Tennessee TN	N							0	
44. Texas TX	N							0	
45. Utah UT	N							0	
46. Vermont VT	N							0	
47. Virginia VA	N							0	
48. Washington WA	N							0	
49. West Virginia WV	N							0	
50. Wisconsin WI	N							0	
51. Wyoming WY	N							0	
52. American Samoa AS	N							0	
53. Guam GU	N							0	
54. Puerto Rico PR	N							0	
55. U.S. Virgin Islands VI	N							0	
56. Northern Mariana Islands MP	N							0	
57. Canada CN	N							0	
58. Aggregate Other alien OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	5,556,140,615	945,150,948	0	334,356,684	0	0	6,835,648,247	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	5,556,140,615	945,150,948	0	334,356,684	0	0	6,835,648,247	0

DETAILS OF WRITE-INS

	2	3	4	5	6	7	8	9
5801.							0	
5802.							0	
5803.							0	
5898. Summary of remaining write-ins for line 58	0	0	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above)	0	0	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

All premiums written on Michigan

(a) Insert the number of L responses except for Canada and Other Alien.

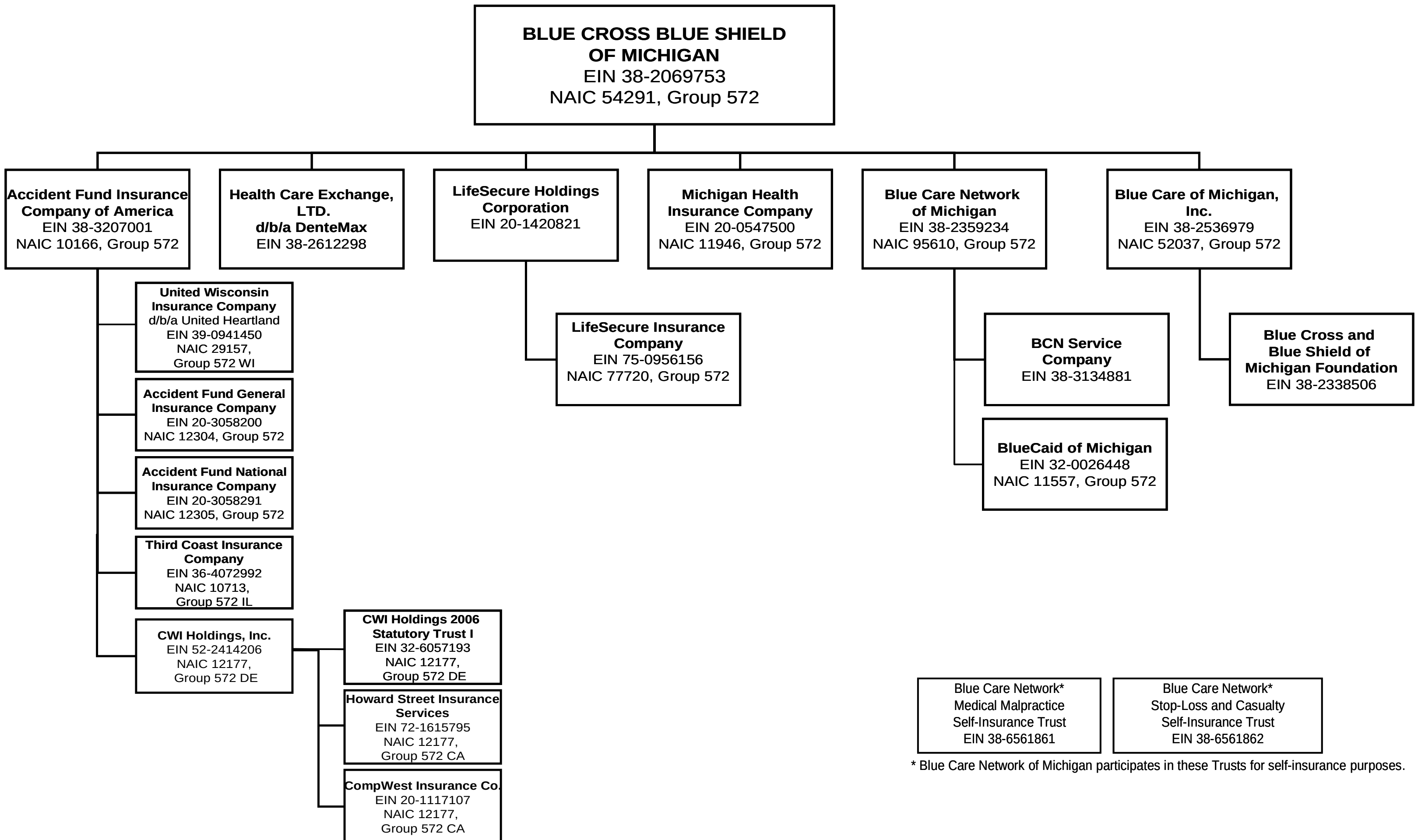
SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Blue Cross Blue Shield of Michigan

A nonprofit corporation and independent licensee of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



All entities that do not reflect a particular state abbreviation are domiciled in Michigan.

2008 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK